

PATRICK-MURRAY ADMINISTRATION FILES FISCAL YEAR 2013 BUDGET

Responsible, Balanced Solution for Continued Budget Challenges; Aggressive Reforms Change the Way Government Does Business

BOSTON – Wednesday, January 25, 2012 – Governor Deval Patrick today filed his Fiscal Year 2013 (FY13) budget recommendation, a balanced and fiscally responsible plan that reflects the Governor's unprecedented commitment to education, health care, creating jobs and other key priorities that support long-term job growth and prosperity and will continue to accelerate the Commonwealth's economic recovery.

In the face of unprecedented fiscal challenges, government needs to be smarter about how it delivers services. Reforms included in the Governor's budget proposal will drive innovation and implement bold changes to improve accountability and transparency.

The budget invests in Governor Patrick's four key priorities: growing jobs, closing the achievement gap in our schools, lowering health care costs and ending youth violence by supporting positive youth development.

"Under this budget, Massachusetts will create more jobs, further reduce the cost of health care, bring us closer to closing the achievement gap and build safer communities for our families," said Governor Patrick. "I look forward to working with the Legislature to advance these strategies, because together we can build a stronger Commonwealth."

"Massachusetts' economy is growing, but we are still faced with difficult budget choices," said Lieutenant Governor Timothy Murray. "Our Administration remains committed to creating more innovative reforms, increasing efficiency in the delivery of services, and providing critical resources for Massachusetts residents as we continue to keep close watch on how we spend taxpayers' dollars."

"Our new fiscal reality requires that we change the way government does business," said Secretary of Administration and Finance Jay Gonzalez. "This budget is fiscally responsible, and it builds on the many reforms and efficiency initiatives we have already implemented with new initiatives to achieve better outcomes at lower costs to taxpayers."

The Governor's FY13 budget recommendation proposes state spending of \$32.3 billion, or a 2.98 percent increase from the current year estimated spending levels. This year-on-year spending growth of \$935.9 million is significantly less than originally projected because of significant program reductions, positions eliminations and reforms.

A number of efforts are being made to control the largest cost drivers in the state budget, particularly health care costs. Even with these cost-saving measures, many areas of state government will see flat or reduced funding levels and, in the aggregate, total funding for state government outside of health care, safety net and certain legally-obligated fixed costs will be reduced from FY12 levels.

Supporting Shared Values

Closing the Achievement Gap – The FY13 budget supports many initiatives that will improve Massachusetts schools, move towards closing the achievement gap and preparing every student for success in a global economy. These investments include record-high state aid for K-12 education (Chapter 70) of \$4.136 billion, \$10 million towards promoting efforts to close the achievement gap in the Commonwealth's Gateway Cities, and \$219 million to community colleges (an increase of \$10 million from last year) to support the Governor's call for reforming the Commonwealth's community college system to address the skills gap and expand employment opportunity. This budget supports ongoing efforts by the Department of Higher Education to promote reforms and improved outcomes at state campuses through performance incentive funding, and maintains funding for our public campuses. Almost all programs within the Department of Elementary and Secondary Education (DESE) and the Department of Early Education and Care (EEC) have level or increased funding levels.

Controlling Health Care Costs – Similar to last year, this budget maintains the Commonwealth's nation-leading universal health care coverage, while preserving benefits and eligibility. The Administration was extremely successful in containing growth in health care costs in FY12 achieving nearly a billion in savings through MassHealth, Commonwealth Care, the Group Insurance Commission (GIC), the Department of Corrections (DOC) and municipal health care reform. The FY13 budget continues the Administration's commitment to support efforts in innovative procurement and re-contracting strategies, achievements in healthcare reform and the implementation of payment and delivery system reform policies that will enable Massachusetts to achieve state budgetary savings of roughly \$730 million.

Job Creation – This budget invests in the Commonwealth's economy by funding programs that help put people back to work through infrastructure projects, assisting unemployed people with training to attain high-skilled jobs, supporting industries that help create jobs (such as life sciences and tourism) and improving the business climate in Massachusetts by easing burdensome regulations. Under the leadership of Governor Patrick, Massachusetts gained 40,700 jobs in 2011, which is the strongest annual job growth performance for the state since the onset of the recession.

Positive Youth Development and Youth Violence Prevention – The FY13 budget supports many initiatives to provide opportunities for positive youth development and youth violence prevention through summer jobs programs, youth violence prevention funding and targeted services in communities with the greatest demand for intervention. This budget invests \$35.5 million in programs related to these efforts, including an investment of at least \$8.6 million in summer jobs, \$8 million in Senator Charles E. Shannon, Jr. Community Safety Initiative grants and \$10 million for Safe and Successful Youth Initiative grants.

Commitment to Municipalities

In keeping with the Patrick-Murray Administration's commitment to cities and towns, the FY13 budget proposes more than \$5.2 billion for local aid, including \$4.1 billion for K-12 Chapter 70 education aid - a \$145 million increase in state funding to municipalities over FY12, and the highest level of K-12 Chapter 70 aid in history.

The increase in K-12 Chapter 70 aid will fully fund all school districts at foundation levels and ensure that all school districts will receive equal or greater funding than in FY12. Maintaining a strong investment in education is a crucial component of the Patrick-Murray Administration's efforts to close the achievement gap and to make Massachusetts a global leader in education.

FY 2013 Local Aid funding includes:

- Unrestricted General Government Aid \$833.9 million (with the same provision for an additional payment of \$65 million should sufficient surplus funds be available for FY12 surplus);
- Chapter 90 Local Road Program \$200 million;
- Special Education Circuit Breaker \$213 million;
- 100% Veterans Homeless Shelter Reimbursement Rate;
- State Owned Land (PILOT) \$26.3 million;
- Regional School Transportation \$43.5 million;
- Charter School Reimbursement \$71.5 million;
- School Food Services Program \$5.4 million;
- Municipal Library Aid \$6.8 million; and
- Regional Library Local Aid \$9.1 million.

Reforms for Future Generations

The Patrick-Murray Administration will continue to use the budget as a vehicle to drive an aggressive reform agenda. Proposed reforms include:

- *Local Housing Authorities:* Strengthening reporting requirements, establishing a commission to review the governance and management structure, capping executive directors' salaries at \$160,000, in line with the U.S. Department of Housing and Urban Development's new salary cap, and tightening rules to address financial transparency and management of the state's public housing portfolio;
- *Homelessness:* Investing in a Responsible and Targeted Emergency Shelter and HomeBASE System, as well as investing in Expanded Community-Based Housing utilizing existing DHCD Programs;
- *Community Colleges:* Giving budget and leadership control to the Board of Higher Education to help meet the Governor's vision for community colleges to prepare students of all ages for the local job market by providing relevant and affordable education and training;

- *Criminal Justice Reforms*: Improving the state's criminal justice continuum from sentencing to incarceration to re-entry with sentencing reform, corrections master plan, unifying parole and probation, and prison closure to gain savings;
- *Improving Services for Children, Youth & Families*: Focusing on improving access to information and services through a more comprehensive, integrated, coordinated system of care through implementation of CYF Advisory Committee recommendations;
- *Government Accountability*: Improving performance and transparency; maximizing federal grants; reducing fraud, waste and abuse; and aligning resources to strategic goals and facilitating informed engagement with the public;
- *Social Innovation Financing*: Performance-driven agreements designed to support innovative approaches to preventative services that achieve better societal outcomes at lower costs to taxpayers; and
- *Innovation & Technology*: Proposes the appointment of a Government Innovation Officer, Governor's Council for Innovation, statewide competition for innovative ideas and creative financing for technology improvements to drive technology-supported innovations in government that improve services at lower costs to taxpayers.

Responsible Fiscal Leadership

Once again, the Governor's budget proposal is structurally balanced and sustainable. The budget minimizes the use of the state's stabilization fund with a draw of \$400 million, which will leave a rainy day fund balance of \$1.037 billion at the end of FY13.

The Patrick-Murray Administration's fiscal management has been recognized by all three rating agencies. In September, Standard and Poor's upgraded the Commonwealth's credit rating to AA+, resulting in all three of the state's credit ratings being just one notch below the highest possible rating and giving the Commonwealth the highest credit ratings in its history.

Under Governor Patrick's leadership, the Patrick-Murray Administration is the first ever to develop a long-term financial forecast and planning policy, which will be published with the FY13 budget. Long-term financial planning is a best practice, and the Administration is committed to using long-term financial planning to inform the development of structurally balanced, sustainable budgets.

The Administration continues to reduce state employee positions. In addition to the nearly 6,000 budgetary positions eliminated since October 2008, the FY13 budget proposes eliminating over 1,100 positions as a result of proposed budget reductions in FY13. This is a net reduction of roughly 300 positions after accounting for increases in certain agencies like the Committee for Public Counsel Services, Department of Transitional Assistance, MassHealth and the State Police. With these reductions, the total state budgetary workforce will have declined by over 9 percent over a four-year period, despite increased demand for state services across a number of state programs.

Managing Tough Choices

In order to preserve key investments, the Administration made difficult choices in many other areas of the budget. These cuts will include:

- \$30 million in savings will result from 400 additional layoffs or position eliminations in FY13 across the Executive Branch. This will come on top of the already-reduced head counts across most state agencies;
- A year-on-year reduction of \$15 million in budgetary funding will require the Massachusetts Department of Transportation (MassDOT) to generate additional revenues and/or curtail services provided through the Registry of Motor Vehicles;
- The closure of the Bay State Correctional Facility in Norfolk will result in \$8.9 million in savings. The closure is consistent with sentencing reform, the Administration's larger Corrections Master Plan and efforts to strengthen the state's corrections and community supervision programs. Sentencing reform will ensure the savings can be achieved without increasing overcrowding in other facilities;
- \$350,000 will be saved by closing the Newburyport shellfish depuration plant, which will eliminate shellfish cleaning services for close to 100 private fishermen;
- \$5.5 million in savings from the Department of Developmental Service's Family Respite and Support benefit, resulting in loss of services for 1,750 families;
- \$4 million reduction to local tourist councils;
- \$1.5 million reduction to Executive Office of Elder Affairs' Elder Nutrition Program, which will eliminate over 240,000 free or subsidized lunches for seniors provided through the councils on aging. This is a 24 percent reduction in capacity;
- \$1.1 million in savings across multiple state agencies in State Office of Pharmacy service reductions;
- Limited funding for low-income child care vouchers, which will result in the growth of the waitlist for families applying for slots for roughly 20,000 to 30,000 families;
- \$371,000 reduction to MRC's Turning 22 programs;
- 105 private schools and two public schools would lose their Essential School Health grant, which supports school nurses, because of a \$465,000 reduction to the Department of Public Health's (DPH) School Health account;
- 1,200 dental visits for 25,000 developmentally disabled adults would be eliminated due to a \$43,000 reduction at DPH; and
- Teenage Pregnancy Prevention receiving \$94,000 reduction, resulting in service losses for 1,000 youth.

Other Budget Solutions

This budget includes initiatives to generate limited additional revenues, including:

- \$61.5 million from eliminating the exemption on candy and soda sales from the sales tax to preserve funding for public health programs. This amount will be dedicated to the Commonwealth Health and Preservation Fund to preserve public health and preventative care services, except for roughly \$10 million which will be made available to the School Building Authority and the Commonwealth Transportation Fund;

- \$62.5 million from increasing cigarette taxes by \$0.50 per pack;
- \$10.4 million from increasing taxes on cigars and other smokeless tobacco by the same extent as cigarette taxes;
- \$22 million from expanding the bottle bill. These revenues would be dedicated largely to recycling and water and sewer rate relief. These proposals will help protect key priorities and provide a more stable and sustainable funding base in the long-term;
- \$22 million from enhanced Department of Revenue tax enforcement initiatives; and
- \$10.8 million from agency revenue initiatives.

For more information on the Governor's FY13 budget, please visit www.mass.gov/budget/governor.